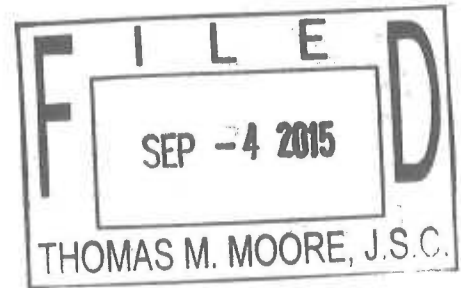


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SUPERIOR COURT OF NEW JERSEY  
CHANCERY DIVISION: GENERAL EQUITY  
ESSEX COUNTY  
DOCKET NO. ESX-C-59-11

JOHN J. HOFFMAN, Acting Attorney  
General of New Jersey, on behalf of  
LAURA H. POSNER, Chief of the New  
Jersey Bureau of Securities,

Plaintiff,

v.

MICHAEL WILLIAM KWASNIK, ESQ.,  
individually and as Managing Partner of  
Kwasnik, Rodeo, Kanowitz & Buckley,  
P.C.,  
WILLIAM KWASNIK, individually and  
as Chief Executive Officer of Liberty  
State Financial Holdings Corp. and  
President of Liberty State Benefits of  
Pennsylvania, Inc.;  
JOSEPH ANTHONY SCHIFANO,  
individually;  
DANIEL FRANCIS MCCORRY,  
Individually,  
WILLIAM P. LEONARD, individually  
and as secretary and treasurer of Capital  
Conservation Associates, Inc., *et al.*

Defendants.

Civil Action

**CONSENT ORDER AND FINAL  
JUDGMENT AS TO DEFENDANT  
WILLIAM KWASNIK**

This matter was initially presented to the Court by Paula T. Dow, former Attorney General of New Jersey, on behalf of Marc B. Minor, former Chief of the New Jersey Bureau of Securities (“Bureau”),<sup>1</sup> (Deputy Attorney General Emanuel Asmar, appearing), pursuant to N.J.S.A. 49:3-69(a)(2) for violations of the New Jersey Uniform Securities Law (1997), N.J.S.A. 49:3-47 et seq. (“Securities Law”). Plaintiff Laura H. Posner, Chief of the New Jersey Bureau of Securities (“Plaintiff” or “Bureau Chief”), and defendant William Kwasnik, through his counsel (Daniella Gordon, Esq. of The Gordon Law Firm, appearing), have agreed to resolve this securities enforcement action on the terms set forth in this Consent Order and Final Judgment (“Consent Order”), which terms have, with consent of the Bureau Chief and defendant William Kwasnik been reviewed and approved by this Court, having found good and sufficient cause to enter this Consent Order.

#### **FINDINGS OF FACT AND CONCLUSIONS OF LAW**

The Bureau Chief makes the following findings of fact and conclusions of law, which defendant William Kwasnik neither admits nor denies:

1. Defendant Liberty State Financial Holdings Corp. (“LSFHC”) was a holding company for various subsidiary entities including defendant Liberty State Benefits of Pennsylvania, Inc. (“LSBPA”).
2. Defendant LSBPA is a wholly-owned subsidiary of defendant LSFHC. From in or about December 2008 to in or about December 2010 (“Relevant Period”), defendant LSBPA’s

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<sup>1</sup> In accordance with R. 4:34-4, the caption has been revised to reflect the current Acting Attorney General and the current Chief of the New Jersey Bureau of Securities.

purported primary business purpose was to purchase life insurance policies of third parties and beneficial interests of life insurance policies owned by Irrevocable Life Insurance Trusts (“ILIT”) in the life settlement market.

3. During the Relevant Period, defendant William Kwasnik was a resident of Marlton, New Jersey. He is defendant Michael William Kwasnik’s (“Michael Kwasnik”) father. During the Relevant Period, William Kwasnik served as Chief Executive Officer of defendant LSFHC and President of defendant LSBPA.
4. During the Relevant Period, defendant Michael Kwasnik was a resident of Philadelphia, Pennsylvania, a licensed attorney in New Jersey and Pennsylvania, and the managing partner of the Kwasnik, Rodeo, Kanowitz and Buckley, P.C. (“KRKB”) law firm. He also served as counsel to defendants LSFHC and LSBPA until March 16, 2011.
5. During the Relevant Period, as set forth in the Bureau’s First Amended Verified Complaint, defendant Michael Kwasnik, acting in concert with others, raised approximately \$10.8 million through the offer and sale of unregistered securities, as defined by N.J.S.A. 49:3-49(m), issued by LSBPA in the form of three (3) year “secured” notes paying 12% interest per year (“LSBPA Notes”) using a Private Placement Memorandum (“PPM”).
6. The PPM stated that the LSBPA Notes were to be “secured” by 100% of the beneficial interest of all the ILITs purchased by LSBPA and by certain assets owned by LSFHC – purported insurance premium payments generated by another of LSFHC’s subsidiaries, Liberty State Insurance Services. Unbeknownst to investors, the LSBPA Notes were not secured.
7. The PPM also stated that investor funds would be used for: (1) purchasing life insurance policies; (2) paying insurance premiums; (3) paying attorney’s fees relating to the PPM;

and (4) paying management fees. Unbeknownst to investors, the funds were not used for the stated purposes.

8. The funds raised from the sale of the LSBPA Notes were not deposited into an "Investment/Investor Account," as stated in the PPM, but rather were deposited into bank accounts held in the name of LSFHC and one of its subsidiaries, Liberty State Benefits of Delaware, Inc. (collectively, the "Liberty Bank Accounts").
9. Defendant William Kwasnik was an authorized signer on the Liberty Bank Accounts during the Relevant Period. On many occasions, he personally signed and/or authorized defendant Michael Kwasnik and an employee of Michael Kwasnik's law firm, KRKB, to sign his name to checks payable from the Liberty Bank Accounts. Checks issued from the Liberty Bank Accounts were reviewed and approved by the LSFHC Board of Directors, including William Kwasnik, on a monthly basis.
10. As a result of the above-described findings of fact made by the Bureau, investor funds were used in contravention of the purposes disclosed to investors including, but not limited to:
  - a. payments being made to existing LSBPA investors using funds obtained from new investors; and
  - b. payments and/or transfers to William Kwasnik totaling approximately \$160,769, and defendant Michael Kwasnik, family members, KRKB and Oxbridge Investors Fund, LLC for unstated reasons.
11. Based on the foregoing findings of fact, defendant William Kwasnik engaged in acts, practices or a course of business in violation of N.J.S.A. 49:3-52(c).

**THEREFORE**, based on the Bureau Chief's foregoing findings of fact and conclusions of law, it is on this 4<sup>th</sup> day of September, 2015, **ORDERED AND AGREED THAT:**

**PERMANENT INJUNCTIVE RELIEF**

12. Defendant William Kwasnik, individually and by or through any person, corporation, business entity, agent, employee, broker, partner, officer, director, attorneys-in-fact, stockholder and/or any other person who is directly or indirectly under his control or direction, is permanently restrained and enjoined from directly or indirectly:
  - a. violating the Securities Law, including its anti-fraud provisions, N.J.S.A. 49:3-52(a) – (d);
  - b. issuing, offering for sale or selling, offering to purchase or purchasing, distributing, promoting, advertising, soliciting, negotiating, advancing the sale of and/or promoting securities, or advising regarding the sale of any securities, in any manner to, from, or within the State of New Jersey; and
  - c. engaging in the violative conduct set forth in the First Amended Verified Complaint in this matter.
13. Defendant William Kwasnik is permanently restrained and enjoined from:
  - a. being a partner, member, officer or director of an issuer, broker-dealer or investment adviser;
  - b. occupying a similar status or performing a similar function of an issuer; and
  - c. directly or indirectly controlling or being under common control or being controlled by an issuer, broker-dealer or investment adviser.
14. Defendant William Kwasnik is permanently restrained and enjoined from:
  - a. associating in any capacity with any broker-dealer or investment adviser doing

- business from, into or within the State of New Jersey;
- b. acting as an officer, director, or manager of an issuer doing business in New Jersey; and
  - c. supervising employees of an issuer doing business in New Jersey.

#### **DENIAL OF REGISTRATION EXEMPTIONS**

15. Defendant William Kwasnik is denied all exemptions contained in N.J.S.A. 49:3-50, subsection (a) paragraphs 9, 10, and 11 and subsection (b), and the exemptions to the registration requirements provided by N.J.S.A. 49:3-56(b), N.J.S.A. 49:3-56(c) and N.J.S.A. 49:3-56(g).

#### **CIVIL MONETARY PENALTY**

16. Defendant William Kwasnik could have been assessed a penalty of not more than Ten Thousand Dollars (\$10,000) for the first violation and not more than Twenty Thousand Dollars (\$20,000) for each subsequent violation pursuant to N.J.S.A. 49:3-70.1.
17. Defendant William Kwasnik is assessed civil monetary penalties in the amount of Twenty Three Thousand Dollars (\$23,000.00) pursuant to N.J.S.A. 49:3-70.1 for violations of N.J.S.A. 49:3-52(c) of the Securities Law as described in the Findings of Fact and Conclusions of Law stated above.

#### **FINAL JUDGMENT**

18. Final judgment is hereby entered against defendant William Kwasnik in the amount of Twenty Three Thousand Dollars (\$23,000.00) representing civil monetary penalties pursuant to N.J.S.A. 49:3-70.1.

#### **ADDITIONAL PROVISIONS**

19. Payment of the civil monetary penalty shall be paid as follows:
- a. Five Thousand Dollars (\$5,000.00) within sixty (60) days from the date of entry

of this Consent Order; and

- b. a minimum monthly payment of Five Hundred Dollars (\$500.00) on or before the first day of each month, beginning on the first day of the month following the initial payment until paid in full.
20. The Bureau considered and relied on many material facts and circumstances, including William Kwasnik's financial condition, in entering into this Consent Order and assessing a reduced civil monetary penalty.
21. All payments shall be made by certified bank check, payable to the "State of New Jersey, Bureau of Securities," and delivered to the attention of the Bureau Chief, Bureau of Securities, 153 Halsey Street, 6<sup>th</sup> Floor, Newark, New Jersey 07102.
22. The civil monetary penalty payments shall be deposited into the Securities Enforcement Fund pursuant to N.J.S.A. 49:3-66.1.
23. Default will be deemed to have occurred if the Bureau fails to receive any payment due within ten (10) business days from the due date.
24. Defendant William Kwasnik agrees to cooperate with Plaintiff in this litigation. Such cooperation is material to the Plaintiff and shall include, but is not limited to:
- a. at Plaintiff's request, voluntarily and promptly appearing, without a subpoena and at his own expense, to serve as a witness at trial in any litigation or proceeding relating to the conduct described herein brought by or on behalf of the New Jersey Bureau of Securities or Bureau Chief and to testify completely and truthfully;
  - b. voluntarily and promptly attending and completing any meeting requested by Plaintiff, including, but not limited to, witness preparation sessions at Plaintiff's office at least fourteen (14) days prior to the first day of trial in this litigation. When requesting such meetings, Plaintiff shall provide William Kwasnik at least

five (5) business days notice. All meetings shall take place on business days and during the business hours of 9:00 a.m. and 5:00 p.m.; and

c. voluntarily and promptly responding to Plaintiff's requests for documents or evidence.

25. A "Triggering Event" referred to below is defined to include the following circumstances:

a. The discovery by the Bureau Chief that any material information provided by defendant William Kwasnik regarding his financial condition was or is intentionally false and/or misleading. The Bureau Chief must provide William Kwasnik with written notice of any such discovery;

b. Defendant William Kwasnik's failure to cooperate pursuant to this Consent Order; and

c. Defendant William Kwasnik's violation or breach of any provision of this Consent Order.

26. Upon any Triggering Event, the Bureau and/or Bureau Chief may take any action permitted by law to enforce judgment for the immediate payment of the civil monetary penalty pursuant to paragraphs 17 and 18 of this Consent Order.

27. In the event that the Bureau Chief chooses, at her sole discretion, to assert rights under this Consent Order in the event of default or a Triggering Event, defendant William Kwasnik shall be responsible for all reasonable attorneys' fees and costs incurred by the Bureau in connection with litigation to enforce this Consent Order in any court. This clause will not apply if the Court determines that default or a Triggering Event did not occur and/or was excusable.

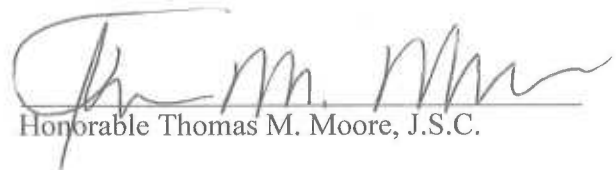
28. Defendant William Kwasnik shall not represent or imply that any act or practice

hereinafter used or engaged in by him has been required or approved, in whole or part, by the State of New Jersey, the Attorney General of New Jersey, the Division of Law, the Bureau or any New Jersey agencies, agents, employees or subdivisions.

29. Except as otherwise explicitly stated in this Consent Order, nothing herein shall be construed to limit the authority of the Attorney General of New Jersey to protect the interest of this State or the people of this State.
30. Nothing contained herein shall in any manner be construed to limit or affect any position that the Bureau may take in any future or pending action not specifically encompassed herein.
31. Nothing contained herein shall in any manner be construed to limit or affect any position that the Bureau Chief may take in settlement with any party to this action or any other action.
32. Nothing in this Consent Order shall in any manner be construed to limit or affect the rights of any persons, other than the Bureau Chief, as it pertains to the allegations in the Bureau's First Amended Complaint, who may have a claim against defendant William Kwasnik or any individual or entity involved in this matter.
33. The terms and conditions of this Consent Order may only be modified by written consent of the parties or by order of this Court.
34. If any portion of this Consent Order is held invalid or unenforceable by operation of law or court order, the remaining terms of this Consent Order shall remain in full force and effect.
35. The parties acknowledge that for purposes of enforcement of this Consent Order, New Jersey law shall govern the terms and provisions herein.
36. This Consent Order is entered into without prejudice to any investigation or action or


proceeding that may be taken by any other state entities.

37. This court retains jurisdiction to enforce, modify or otherwise hear any application arising from the terms of this Consent Order.
38. Defendant William Kwasnik waives any right he may have to appeal this Consent Order.
39. This Consent Order constitutes the entire agreement between defendant William Kwasnik and the Bureau Chief.
40. This Consent Order shall bind defendant William Kwasnik, his agents, partners, employees, associates, successors, assigns, executors and/or administrators of his estate.
41. By the parties' signature below, in consideration of the parties' desire to resolve the issues herein and having had full opportunity to consult with counsel, defendant William Kwasnik hereby consents to the jurisdiction of the Bureau and voluntarily waives any right to assert any defenses, or to raise any challenge, that defendant William Kwasnik otherwise may have, to the Consent Order.
42. By entering into this Consent Order, William Kwasnik is not waiving any constitutional, statutory or contractual rights in any other case, proceeding or litigation.
43. This Consent Order may be signed in counterparts, each of which shall be deemed an original.

  
Honorable Thomas M. Moore, J.S.C.

Consent to the Form and Entry of this  
Consent Order and Final Judgment:

Defendant William Kwasnik



Dated: 8/7/15

The Gordon Law Firm  
712 E. Main St., Suite 2A  
Moorestown, NJ 08057  
*Counsel for defendant William Kwasnik*

By:   
Daniel L. Gordon, Esq.  
(ID # 0: 9372005)

Dated: 8/7/15

JOHN J. HOFFMAN  
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P.O. Box 45029  
Newark, New Jersey 07101  
*Counsel for Plaintiff*

By: \_\_\_\_\_  
Emanuel Ascher  
Deputy Attorney General  
(ID # 0: 6702005)

Dated: \_\_\_\_\_

Consent to the Form and Entry of this  
Consent Order and Final Judgment:

Defendant William Kwasnik


\_\_\_\_\_  
Dated: \_\_\_\_\_

The Gordon Law Firm  
712 E. Main St., Suite 2A  
Moorestown, NJ 08057  
*Counsel for defendant William Kwasnik*

By: \_\_\_\_\_  
Daniella Gordon, Esq.  
(ID # 039372005)

Dated: \_\_\_\_\_

JOHN J. HOFFMAN  
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P.O. Box 45029  
Newark, New Jersey 07101  
*Counsel for Plaintiff*

By:   
Emanuel Asmar  
Deputy Attorney General  
(ID # 006702005)

Dated: 8/7/15